

MEDICAID DEMONSTRATION PROJECT FOR LOS ANGELES COUNTY

RESTRUCTURING/STABILIZATION PROPOSAL

INTRODUCTION

This amendment outlines major program objectives and fiscal reforms that balance the continuing need for more services, as well as the goal of reducing the future burden of disease borne by County residents.

As part of the restructuring/stabilization plan, Los Angeles County (County) proposes to maximize tobacco settlement funds and invest in ambulatory care and public health.

I. PROGRAMMATIC AND RESTRUCTURING GOALS/FUNDING PRIORITIES

This section outlines the major objectives and expected outcomes.

A. Increase Access to Ambulatory Care Services

- Increase ambulatory care access by 900,000 visits to primary care, dental and specialty services through public and private providers.
 - Reach initial target of 3.9 million visits by FY 2004-2005.
 - Increase preventive services such as screening (e.g., cancer and breast malignancies, hypertension, depression, alcoholism, and chlamydia) and counseling (e.g., smoking cessation, physical activity), to target populations.
 - Expand availability of home health services in each major service area.
 - Expand the methods for uninsured residents to obtain needed services (e.g., health advice telephone services, nurse visits).

B. Managing Diseases

- The next phase of change involves a concerted effort to improve the management of diseases. The objectives are to:

- reduce by 10 percent the number of preventable hospitalizations by implementing disease management programs for pediatric asthma, diabetes, congestive heart failure, and HIV/AIDS.
- reduce inappropriate use of emergency room services by an additional 10 percent at each acute hospital.

C. Reducing the Burden of Disease

- Reduce reversible risk factors for common diseases and injuries, including tobacco, alcohol, drug abuse, poor diet, sedentary life style, and violence.
- Expand community-based risk reduction programs for high-risk families and individuals through collaboration with community-based organizations, such as health and social service providers, schools and others.

D. Capital Improvement

- Expand capacity for integrated ambulatory care and risk prevention strategies.

E. Evaluation and Monitoring

- Monitor and evaluate the effectiveness of public health programs and health services to:
 - improve the performance of safety net systems for Medi-Cal and uninsured through enhanced monitoring of provider networks, contracts, service standards, and quality assurance.
 - assess and monitor utilization of public and private resources
 - collect countywide data by surveying residents, providers, and patients
 - analyze system-wide quality, utilization, and cost trends
- % measure the impact of intervention programs on the health status of specific populations

II. FISCAL RESTRUCTURING AND STABILIZATION

This section outlines the major funding issues critical for financing the County's continued health system restructuring efforts and services for the medically indigent and uninsured populations.

A. Budget Neutrality

- Obtain State and HCFA approval of reasonable budget neutrality limits under the renewed Waiver terms, based on:
 - The Fiscal Year 1999-2000 budget neutrality limit as the baseline.
 - Plus an estimated \$408 million carryover of budget neutrality savings expected under the current Waiver (as was granted for Oregon).
 - Appropriate non-DSH Medicaid inflation factor.

B. Los Angeles County Department of Health Services-Specific DSH Reform

- As the County reduces inpatient services, there will be fewer Medi-Cal paid inpatient days rendered by County hospitals, resulting in reduced DSH payments.
- Disproportionate share hospital (DSH) revenues lost as a result of inpatient reductions in the County DHS system would be replaced by increasing the Supplemental Project Pool (SPP) funds to be used for ambulatory care.
 - To alleviate the financial impact of reducing hospital inpatient utilization, the County proposes the following arrangement with HCFA:
 - Establish a "baseline" number of Medi-Cal paid inpatient days for each County hospital;
 - For each year of the Waiver extension, the State would determine the amount of DSH payments that would have been payable to County hospitals (including supplemental DSH Payments) had the baseline number of Medi-Cal paid inpatient days been paid during the relevant periods (baseline DSH payment amount);
 - The State would determine the amount of gross DSH payments for County hospitals "lost" as a result of inpatient reductions, by subtracting the amount

Exhibit IV

of actual DSH payments from the baseline DSH payment amount (gross DSH loss);

- The Annual Supplemental Project Pool payments (currently \$125 million annually) would be increased by the gross DSH loss. The non-Federal share would be provided by the County through an intergovernmental transfer.

Following is an example of how this funding mechanism would work:

	DSH (SB 855) GROSS PAYMENT
BASELINE *	\$645,160,945
PROJECTED ACTUAL (10% REDUCTION) **	\$607,073,989
DIFFERENCE	<u><u>-\$38,086,956</u></u>

EXAMPLE

DSH Replacement

BASELINE *	\$645,160,945
PROJECTED ACTUAL (10% REDUCTION) **	\$607,073,989
DIFFERENCE	-\$38,086,956
SPP GROSS PAYMENT ***	\$38,086,956
SPP NET BENEFIT (FEDERAL SHARE)	\$19,043,478

Notes:

* Baseline is conservatively based on adjusted calendar year 1998 Medi-Cal paid days.

** Projected actual assumes a 10% reduction in Medi-Cal paid days from baseline.

*** SPP gross payments consist of both the Federal and non-Federal shares.

C. Tobacco Settlement Funds

Los Angeles County Board of Supervisors approved using tobacco settlement funds for health care. The Board action indicated that these funds may be used for a specific purpose to be determined later for new programs in support of 1115 Waiver objectives. (See attached Board action for more details.)

D. Other Fiscal Related Issues for Discussion

- Maximizing SB 1255 and Hospital Outpatient Indigent Care Match funding. This would include recognizing the SB 855 administrative fee the County pays as an expense to allow receipt of additional SB 1255 funds.
- New revenue delivery vehicle(s) that will allow the County to reinvest “savings” in federal Medicaid funding under the budget neutrality limit for the renewed Waiver.
- Institutionalize funding arrangements to the extent that successful program changes demonstrate efficient use of resources.
- Extension of the 175% OBRA '93 DHS cap relief for all California public hospitals will be critical in achieving the above.

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